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GERMAN PENETRATION OF THE EUROPEAN OIL INDUSTRY: POLAND

Description

A review of the methods by which Germany gained control of and administered facilities for the production, refining, and distribution of petroleum products in Poland from 1939 through 1944.

15 March 1945

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SUMMARY

1. Germany gained control over the Polish oil industry through the occupation of Poland in 1939 and the subsequent incorporation of territories into the Reich and the creation of the Government General. For many years before the German invasion the Polish oil industry had been declining, hampered by high royalties, excessive and complex taxes, the high costs of exploiting the old fields, and the compulsory export law. The industry consisted of several major companies integrated into five large units (three of which were entirely foreign-owned), one or two medium-sized companies, and over three hundred very small companies, for the most part Polish-owned.

2. During the course of the war three systems of government administration have been applied to the former Polish properties. The refineries in the western regions, which were incorporated into the Reich, became subject to German law. All oil properties in the Government General, from exploitation rights to distribution facilities, were seized by decree. The industry was then administered by a series of regulatory bodies, some of them exercising overlapping functions. Production and refining operations were organized first under the Beskiden Producing Company and the Beskiden Refining Company, and later under the Karpathen Oel AG, a subsidiary of the Kontinentale Oel AG. Distribution was controlled through a semi-private enterprise, the Monopolvertriebsgesellschaft fuer Mineraloel mbH. Between 1939 and 1941 eastern Galicia was held by the USSR, and under the Soviet regime the properties in this region were nationalized. In 1941, after Germany declared war on the USSR, the eastern Galician holdings fell into German hands and were seized by decree of the Governor General. After 1941 they were incorporated into the previously-created system of regulation and operation of the Government General.

3. Either by purchase or by decree Germany thus acquired control over all the Polish oil resources. Under German administration producing activity was directed toward the exploitation of the old fields rather than toward exploratory drilling for new wells; refineries were either reconstructed and modernized or shut down and dismantled; and the distribution system was reorganized into a state monopoly. In addition, Polish oil facilities have suffered the effects of three military campaigns, during which wells have been fired and refineries destroyed. Since the liberation some of the refineries have been repaired, at least on a makeshift basis, and the fields placed in production.

4. The future of the Polish oil industry is problematic. All the hazards and risks which contributed to its decline have been intensified by the war. Under German administration facilities were reallocated without regard for private ownership lines, and the disentanglement of the claims of the pre-war owners constitutes a problem of extreme complexity. Finally, the relative extent and importance of the industry will be considerably curtailed by the establishment of the Curzon Line as the new boundary between Poland and the USSR.

GERMAN PENETRATION OF THE EUROPEAN OIL INDUSTRY: POLAND

I. DEVELOPMENT AND STRUCTURE OF THE POLISH OIL INDUSTRY

A. The Polish Oil Industry before World War II

The exploitation of Polish oil resources began in the 1860's; by the beginning of the present century, the Polish oil fields and processing plants formed an important segment of the European oil economy, and the Boryslaw fields, with a production of over a million tons a year, were among the greatest producing areas of the world. The initial development of the industry took place under the old Austro-Hungarian monarchy, since the oil resources of Poland are concentrated in the Carpathian foreland of southern Poland, until after the first World War a part of Austria-Hungary.

Even under the Austro-Hungarian monarchy, however, financial participation in the Polish oil industry was international in character. From Austria itself both private and state groups contributed to the development of the industry, the Austrian government founding the KuK Entbenzinierungsanstalt in Drohobycz for the processing of crude oil into fuel oil. Of the foreign capital invested in Carpathian oil, the major shares were held by German, French, and American groups. The largest of the German interests was that of Deutsche Erdoel AG, whose most important properties were the Austria AG, which operated refineries in Trzebinja and Dros; Premier Oil and Pipeline Company; and Olex AG, which acted as the common marketing organization of the Austro-Hungarian producers. In addition, Deutsche Petroleum AG, a close associate of Deutsche Erdoel, controlled the firm Schodnica AG.

French investment during this period was distributed among eleven companies which held interests in the Galicia area, the most important groups being the Raffinerie Limanova and the Société des Pétroles de Dabrowa, which owned wells and

a refinery in Jedlicze. American capital was represented in the Vacuum Oil Company refinery at Czechowice, which was founded in 1905. The American group displayed considerable aggressiveness in its Polish activities, and through its competition succeeded in effecting the dissolution of the long-established Refinery Cartel.

As a result of the reconstitution of Poland as an independent nation after the first World War, radical changes became necessary in the financial structure of the Polish oil industry. The immediate result of the German defeat was the withdrawal of German and Austro-Hungarian capital, partly voluntarily, partly of necessity. The venture capital of the new and industrially undeveloped Poland was inadequate to maintain the industry even at its former level. Only the large and financially secure foreign oil groups could be expected to undertake the risk involved in new drilling activity and in expansion of refining facilities.

During the period between the wars, French investment became dominant in the Polish oil industry, although additional American participation was obtained through the organization of Standard Nobel w Polsce SA in 1925. The acquisition and expansion of French interests in Poland was expedited by the San Remo Agreement and the Polish-French Naphtha Convention of 6 February 1922, as a result of which the Franco-Polish oil companies were granted special tax privileges. Both the firms already existing and the newly created French enterprises followed a policy of acquiring and merging the former Austrian and German holdings. This process of concentration was intensified by the organization in 1922 of the Societé Francaise des Pétroles de Malopolska, holding company of the Polish interests of the Crédit Général des Pétroles de Paris. By 1929, over 42 percent of the Polish crude-oil production was controlled by the companies included in the Malopolska group.

In 1938, the last year of "normal" activity before the second World War, the Polish oil industry was dominated by five major units, largely foreign-owned. These five units, or combines, controlled over 60 percent of crude-oil production, and an even larger proportion of the output of refined products. The rest of the producing and refining activity was distributed among one or two medium-sized companies and more than three hundred very small firms, operating for the most part with Polish capital. The total capitalization of the 23 major companies active in 1937 was 213 million zloty; within this group 207 million zloty in capital was represented by 17 concerns, 88 percent of the 207 million zloty being foreign investment. By far the greatest share of the foreign capital was French. American capital comprised about 10 percent of the capitalization of the 17 companies, and smaller interests were held by Hungarian, Belgian, Swiss, and other Central European groups.[1] Thus crude-oil and natural-gas production and refining activity were concentrated in the enterprises controlled by foreign groups. The relevant data are presented in Table 1 on the following page.

1. Concise Statistical Year-Book of Poland, September 1939-June 1941.

Table 1. POLAND: NATIONALITY OF CAPITAL PARTICIPATION IN THE PRODUCTION AND REFINING OF OIL IN 1938

Nature of Capital	Relative Contribution (In percent)			
	Crude-Oil Production	Refinery Throughput	Natural-Gas Production	Casing-Head Gasoline Production
Foreign	61	66	32	73
Mixed	7	9	4	0
Polish	32	25	64	27
	100	100	100	100

By far the largest and most significant of the five major groups was the Malopolska, controlled by the Societe Francaise Industrielle et Commercielle de Petroles (formerly the Credit General des Petroles, the name being changed in 1932 at the time of the amalgamation with the Societe Francaise des Petroles de Malopolska). More than twenty individual companies were combined in the Malopolska group, among them Fanto SA, Galicyjsko-Karpackie Naftowe Towarzystwo Akcyjne, Nafta SA, Polskie Zwatzkowe Refinerje Olejow Skalnych, and Premier Polska Naftowe SA. Through the consolidation of the activities of these individual companies, Malopolska was vertically integrated, owning producing rights in Krosno, Harkow, Boryslaw, Rypne, and Bitkow; refineries in Ustrzyki (Fanto), Jedlicze, Rychcice, and Glinik-Mariampolski (Galicyjsko-Karpackie), Trzebinja (Polskie Zwiazkowe) and Drohobycz (Polskie Zwiazkowe and Nafta); casing-head gasoline manufacturing plants; and trading and distribution branches. In 1938 the Malopolska group produced 190,000 tons of crude oil, or 37.4 percent of total Polish production, and refined 173,000 tons of crude oil, or 34.5 percent of total Polish refinery throughput. In addition, the combined companies accounted for over 23 percent of natural-gas production in that year. (See Table 2 below).

The second of the French-owned groups was the Galicyskie Towarzystwo Naftowe "Galicja", controlled by the Societe Francaise des Petroles de Silva Plana of Paris. The latter company in 1936 absorbed the Compagnie Franco-Polonaise des Petroles of Paris, and the Towarzystwo Naftowe Limanowa was merged with the Galicja block. Galicja, like Malopolska, was vertically integrated, with producing properties throughout Galicia, refineries in Drohobycz and Limanowa, and marketing and distribution organizations. Galicja in 1938 produced 65,600 tons of crude oil, or 12.9 percent of total Polish

production, and refined 78,370 tons, or 15.5 percent of total Polish refinery throughput (See Table 2 below). Although Galicja's contribution to the activity of the Polish oil industry was less than half of that of Malopolska, it was, nevertheless, the second largest group, with respect to production and refining capacity, in the industry immediately before the war.

The only American interest operating in Poland was the Vacuum Oil Company SA, owned by the Socony-Vacuum Oil Company. Through its absorption of the Standard-Nobel interests in 1937, Vacuum Oil held relatively small petroleum and natural-gas properties. Between 1937 and September 1939 the company purchased two Polish-owned oil fields (Lipa and Rajskie) and discovered a third; thus, shortly before the war, the crude-oil production of Vacuum was expanding rapidly. In 1938, however, the most important of its holdings was the large refinery at Czechowice, with a throughput of 70,000 tons, or 13.9 percent of the entire Polish refinery throughput (See Table 2 below).

The two remaining major enterprises in the Polish oil industry were financed by Polish or mixed capital. Polmin Panstowa Fabryka Olejow Mineralnych was entirely Polish-owned, the Polish state holding a large participation. Before the war Polmin held important natural gas rights and pipelines; the Polmin refinery at Drohobycz was organized after the last war when the Polish state took over the Austrian state-owned KuK Entbenzinierungsanstalt. The Polmin refinery in 1938 processed 97,000 tons of crude oil, or 19.3 percent of total Polish refinery throughput (See Table 2 below).

The last of the five principal units, the Gazy Ziemne SA, was financed by Polish and Hungarian capital. It owned petroleum and natural gas wells, chiefly in the Schodnica district, and a refinery in Lwow. Refinery throughput of Gazy Ziemne in 1938 was 39,000 tons or 7.8 percent of total

Polish refinery throughput. (See Table 2 below).

Among the smaller companies, a significant share of the output of refined products was produced by a sixth, the Polish-financed Jaslo Industrial Oil Works (Jaslo ZPN), which owned the Gartenberg and Schreyer refinery in Jaslo. This refinery had in 1938 a capacity of 70,000 tons, although throughput in that year was only 10,000 tons. Under German supervision refining activity in the Gartenberg and Schreyer refinery was increased considerably.

For several years prior to the German invasion of Poland, crude-oil production had been declining steadily. Production fell from 675,000 tons in 1929 to 507,000 tons in 1938, although drilling activity and the number of wells exploited increased by more than 50 percent during the same period. Activity was concentrated in the intensive exploitation of the old oil fields, with only small additions from new discoveries. The prevailing mining laws and the complex and burdensome tax system resulted in a general atmosphere of economic insecurity in the petroleum industry; the compulsory export law compelled refining companies to operate at a financial loss during 1936-37. Thus, the risk and cost involved were not conducive to exploratory drilling for new and more productive fields. Such drilling demanded costly outlays for equipment and financial reserves which were not within the competence of the small Polish producers. The strong foreign interests, which alone would have been financially capable of undertaking large-scale operations, were confronted by the same situation: new exploration could not be remunerative in the short run, and even in the long run it might not be sufficiently profitable in view of the existing

Table 2. THE POLISH PETROLEUM INDUSTRY IN 1938

Company	Crude Oil Production		Natural Gas Production		Casing Head Gasoline Production		Refineries					
	In thousands of metric tons	In percent of total Polish production	In millions of cubic meters	In percent of total Polish production	In thousands of metric tons	In percent of total Polish production	No.	Capacity (Thousands of metric tons)	Throughput: In thousands of metric tons	Throughput: In percent of total Polish production	Location	Ownership
"Malopolska" Group (including 29 former companies)	190	37.4	139	23.7	16	39.0	6	395	173	34.5	Drohobycz(2) Trzebinja, Ustrzyki, Jedlicze, Glinik-Mariampolski	French [a]
"Galicja" SA	66	12.9	32	5.5	9	22.0	2	240	78	15.5	Drohobycz, Limanova	French [b]
State Refinery "Polmin"	13	2.5	162	27.6	1	2.4	1	160	97	19.3	Drohobycz	Polish State
Vacuum Oil Company	21	4.2	8	1.4	3	7.3	1	75	70	13.9	Czechowice	American [c]
"Gazy Ziemne" SA	25	5.0	7	1.2	2	4.9	1	40	39	7.8	Lwow	Polish Hungarian
Remaining smaller companies [d] (200 to 300 in number)	192	38.0	238	40.6	10	24.4	25	120	45	9.0		80 percent Polish
TOTAL	507	100.0	586	100.0	41	100.0	36	1,030	502	100.0		

a. Societe Francaise Industrielle et Commerciale des Petroles.
b. Societe Francaise des Petroles de Silva Plana.
c. Socony-Vacuum Oil Company.
d. Including Jasło ZPN, Jasło.

system of royalties.[1] In addition, blocked currency handicaps rendered impossible the importation of the heavy equipment necessary for large-scale drilling by those companies which were willing to assume the risks involved.

Although there were good prospects for cheap short-run production in the west Poland fields, the pre-war Polish oil industry was a declining industry. Intensive exploitation of old fields resulted in high costs of production, so that Poland was unable to compete in the world market and had to subsidize her exports by imposing specialdutios on domestic sales. Domestic consumption was increasing, but it remained very low in comparison with the level of consumption in more industrialized countries. The low domestic consumption may have been in part the result of the high domestic price.

In 1938 a new law was passed designed to remedy the critical situation in the petroleum industry. Tax relief was granted to enterprises engaged in explorative drilling, a drilling fund was established, and crude-oil prices were to be maintained at a level stimulating new activity. How effective these measures might have been remains problematical because of the German acquisition of the Polish oil resources in 1939.

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1. After World War I, the Polish oil industry continued to be governed by the Austrian mining laws, according to which crude-oil deposits under ground were regarded as the property of the owner of the land, but the rights of exploiting crude oil were legally separable from the ownership of the land. Exploitation rights were regarded as property, and could be sold, mortgaged, or divided into shares. A highly speculative market in exploitation rights developed, which could hardly be favorable to the economic and healthy growth of the industry. The law permitted the holders of rights to impose royalties, which were calculated as a percentage of production and could be sold separately. Since royalties were computed on the basis of gross returns, they were unaffected by increases in the cost of production, and, as exploitation became more intensive and costs rose, the royalties constituted an increasingly heavy burden upon the producer.

B. The Polish Oil Industry During the War

Under German control the entire structure of the oil industry was transformed. During the five years of German domination between 1939 and 1944, production was directed entirely at a short-run objective, that of draining immediately the maximum crude oil for German use, and refining facilities were merged and transferred so as to best accomodate production.

Most of the Polish oil fields and installations have changed hands three times, each time in the path of military campaigns. The first of the military operations was the German occupation in 1939; the second took place after Germany declared war on the USSR in June 1941; during 1944 and 1945 the advancing Russian armies have driven the German forces from Poland. The retreating Russian army in 1941 partly destroyed several of the major refineries -- Polmin, Galicja-Drohobycz, and Gazy Ziemne. In the three years between 1941 and 1944, however, these refineries were reconstructed and even expanded. As a part of the German rationalization of Polish oil facilities, refining in the Government General was restricted to six refineries: Polmin in Drohobycz, Galicja in Drohobycz, Gazy Ziemne in Lwow, Malopolska in Glinik-Mariampolski and Jedlicze, and Gartenberg and Schreyer in Jaslo. These refineries operated entirely on Polish crude oil, and the remaining refineries were dismantled or used for storage purposes. The Polmin refinery was rebuilt, and plans were made to modernize and expand the Gartenberg and Schreyer refinery, partly with equipment brought from dismantled French refineries. It is probable that the damage suffered in 1941 was largely repaired. A few of the refineries, such as Trzebinja, were improved beyond their pre-war status by installations brought from France and Italy. By 1943 crude-oil production and refinery throughput had been restored to about 80 percent of the pre-war level, while natural-gas production

was almost twice as great as 1938 production (See Table 3 below).

The damage suffered in the Russian campaign of 1944 cannot be completely evaluated. Recent reports seem to indicate that the Russian advance in the petroleum regions was so rapid that oil facilities remained comparatively unimpaired. It has been reported that the Germans destroyed only one of the Drohobycz refineries and fired only a few of the Boryslaw wells. The Glinik-Mariampolski and Jedlicze refineries were intact, according to these sources, and oil production in the liberated regions had by October 1944 reached 60 percent of the pre-war level. In January 1945 a very large portion of the oil fields was asserted to be undamaged and back in production.

The most serious consequences of five years of German control of the Polish oil industry are not the damage to fields nor the destruction of pre-war refineries alone. Just as far-reaching a consequence has been the complete dislocation of the former structure of the industry, the confiscation of properties, and the reorganization of processing and distribution facilities into the system best adapted to German military requirements.

The problems posed by the present status of the Polish oil industry are both political and economic. An immediate problem is the disentanglement of property rights. All rights and physical properties were seized by the Germans in 1939 and 1940; existing company lines were disregarded, and facilities were dismantled and merged with a view to expediency alone. The disposition of existing properties to the pre-war owners will be a question of almost impossible complexity.

The future of the Polish oil industry cannot, of course, be separated from the question of the general nature of the development of the Polish economy. It will depend also upon

the nature of the territorial settlement after the war. With the setting of the new boundary between Poland and the USSR at the Curzon line, Poland will lose the important Drohobycz and Stanislawow-Boryslaw fields which in 1938 accounted for 73 percent of the crude-oil production and 69 percent of the natural-gas production of all Poland. In that year 56 percent of the refinery capacity of Poland lay in the areas west of the Curzon line, and 49 percent of the refinery throughput was produced in that region (See Tables 3 and 4 below).

In general, the Polish crude-oil production industry may be maintained in the short-run, if it is subsidized by a government eager to conserve free exchange. The prospects for the Polish refining industry depend on the development of domestic crude-oil production and on whether eventually crude oil or finished products will be imported. If Poland should choose to operate synthetic-oil plants which it will probably acquire as a result of the territorial settlement after the war, its domestic oil industry will, of course, be faced with a set of new and important problems.

Table 3. THE POLISH PETROLEUM INDUSTRY WEST AND EAST OF THE CURZON LINE IN 1943 AND 1938

	Crude Oil Production (In thousands of metric tons)		Natural Gas Production (In millions of cubic meters)		Casing Head Gasoline Production (In thousands of metric tons)		Refinery Throughput (In thousands of metric tons)	
	1943	1938	1943	1938	1943	1938	1943	1938
Western District	146	136	344	184	7	8	159[a]	248[c]
Eastern District	255	371	594	402	34	33	245[b]	254[c]
Total	401	507	938	586	41	41	404	502

a) Refined at Malopolska refineries in: Glinik

a. Refined at Malopolska refineries in: Glinik 57
Refined at Malopolska refineries in: Jedlicze 53
Refined at Jaslo refinery in: Jaslo 49
159

b. Refined in Drohobycz: at Galicja and Nafta refineries: 79
Refined in Drohobycz: at Polmin and Dros refineries: 113
Refined in Lwow: at Gazy Ziemne refinery: 53
245

c. For details see Table 4.

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Table 4. CAPACITY AND CRUDE OIL THROUGHPUT BY POLISH REFINERIES WEST AND EAST OF THE CURZON LINE IN 1938

(In thousands of metric tons)

	Refinery Capacity			Refinery Throughput		
	West	East	Total	West	East	Total
Malopolska Group:						
Glinik, Glinik	80		80	44		44
Jedlicze, Jedlicze	75		75	38		38
Dros, Drohobycz		30	30		-	-
Trzebinja, Trzebinja	100		100	51		51
Nafta, Drohobycz		60	60		40	40
Fanto, Ustrzyki	50		50	-		-
Total Malopolska Group	305	90	395	133	40	173
Galicja SA						
Galicja, Drohobycz		140	140		56	56
Limanova, Limanova	100		100	22		22
Total Galicja SA	100	140	240	22	56	78
State Refining "Polmin", Drohobycz		160	160		97	97
Vacuum Oil Co., Czechowice	75		75	70		70
Gazy Ziemne SA, Lwow		40	40		39	39
Jaslo ZPN, Jaslo	70		70	10		10
Others	25	25	50	13	22	35
GRAND TOTAL	575	455	1,030	248	254	502

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II. CONTROL OF THE POLISH OIL INDUSTRY, 1939-1944

A. Introduction

The German invasion of Poland in September 1939, and the subsequent partition of the country between Germany and the USSR, effected a division of Polish oil resources and facilities into three geographical areas. The type of governmental supervision and control over the oil industry established in each area varied with the nature of the political relationship of the conquered territory to Germany or the USSR. Of the area occupied by Germany, more than one-third was incorporated into the Greater German Reich; the oil facilities within this portion of Poland, which consisted primarily of refineries in Czechowice and Trzebinja thus became subject to the laws of Germany proper and were governed by the regulations and agencies established for the supervision of the German oil industry. The remainder of German-occupied Poland, including the Jaslo district oil fields and the refineries at Glinik-Mariampolski, Jaslo, and Jedlicze, became the Government General, subject to a special system of administration. Eastern Poland was annexed by the USSR and the oil resources in the important Drohobycz and Stanislawow producing districts and the Drohobycz refineries were confiscated by the USSR and treated as Soviet state properties.

The Russian phase of the administration of the Polish oil industry ended in the summer of 1941 with the declaration of war between Germany and the USSR and the rapid conquest of eastern Galicia and White Russia by German military force. The captured oil properties were at first placed under German military administration; later the decrees governing the industry in the Government General were extended to eastern Poland with some modifications, and the petroleum resources of that area placed under the civil administration of the Government General.

German control over the Polish oil industry is treated here in three parts. The first part deals with the German administration of the industry in the Government General from 1939 to 1944; this includes the regulation of the territory west of the San River from 1939 to 1941, and of that area and the territory east of the San River from 1941 to 1944. The second part covers the handling of oil resources in the area incorporated into Greater Germany in 1939. The third part treats the Russian administration of the Polish oil properties east of the San River from 1939 to 1941.

B. The Polish Oil Industry in the Government General

The following discussion of the Polish oil industry in the Government General deals first with the government controls and administration of the industry and the legal basis for the German confiscation and supervision of oil properties, and then with the organization and operations of the special enterprises created by Germany to fulfill her Polish oil policy in the spheres of production, refining, and distribution.

1. Government Administration of the Oil Industry in the Government General.

a. General Regulation of the Industry, 1939-40

The oil resources and facilities which came under German control in the Government General in 1939 consisted of the Jaslo fields, which in 1938 had produced 136,000 tons of crude oil, or 27 percent of the total Polish crude oil production, 84 million cubic meters of natural gas, or 31 percent of total natural gas production, and 8,000 tons of casing-head gasoline, or 18 percent of total production. The principal refineries situated in the area were the Malopolska refineries at Glinik-Mariampolski and Jedlicze, the Gartenberg and Schreyer refinery at Jaslo, and the Galicja refinery at Limanova; these four refineries, together with eleven smaller ones, in 1938 possessed a total refinery capacity of 400,000 tons and had a refinery throughput of 127,000 tons.

Within a few months after the German occupation of the territory designated as the Government General, the legal structure of the Polish oil industry had been completely reorganized. The series of decrees by which this reorganization was effected may be divided into three groups: (1) those pertaining to exploration and exploitation rights; (2) those pertaining to production and refining and the properties and installations used for those purposes; and (3) those pertaining

to distribution and distribution facilities.

The first of the basic decrees for the administration of the oil industry was issued on 14 December 1939. By this decree all rights of exploration and exploitation of petroleum and natural gas were seized for the benefit of the Governor General, and all future exploitational and exploratory activities reserved to him. The function of promulgating supplementary orders to this decree was given to the Director of the Economic Department in the office of the Governor General.

The second of the basic decrees, issued on 23 January 1940, provided for the regulation of distribution. "In order to create a regulated supply of petroleum products," it stated, "all installations and equipment located in the Government General used in the distribution of petroleum and petroleum products of all kinds are seized in favor of the Governor General." The seizure nullified all transactions concerning the confiscated properties and suspended the rights of third parties. No further allowance for indemnification was made beyond the provision that compensation for losses suffered might be granted at the discretion of the Director of the Economic Department in the office of the Governor General, whose decision was to be final.

The third decree for the regulation of production and refining was not issued until 27 June 1940, although it was made retroactive to 26 October 1939. Presumably these aspects of the oil industry had been administered through a series of provisional decrees which at this time were superceded. The decree of June 1940 ordered the seizure of all plants, installations, and equipment used in or adaptable to the production and refining of petroleum and natural gas. The indemnification provisions of the decree of January 1940 pertaining to distribution facilities were extended to cover production

and refining properties.

b. Regulation of Production and Refining in 1940.

The admistration of the production and refining phases of the petroleum industry was outlined in a decree issued on 27 June 1940, the date on which producing and refining properties were ordered seized. This decree provided for the appointment of a Special Commissioner for the Petroleum Industry (Sonderbevollmaechtigter fuer die Erdoelwirtschaft) to supervise the production and refining aspects of the petroleum industry in the Government General.

The Special Commissioner was to function in a dual capacity. First, as administrator proper, he was empowered to regulate the technical and economic phases of the oil industry so far as the production and refining of petroleum and natural gas were concerned. The position of the Special Commissioner in the administrative hierachy of the Government General is not clear. The decree stated that the Commissioner was to maintain close contact with the companies in the industry in the fulfillment of his duties, and was to be in charge of the petroleum industry in the Economic Department of the office of the Governor General. Another section of the decree, however, provided that the Commissioner in his supervisory capacity was to be responsible directly to the Governor General, and was to report currently to the Governor General or to agencies appointed by him.

The second function of the Special Commissioner was to act as trustee for the rights of the owners of (1) petroleum and natural gas exploration rights which were seized according to the decree of 14 December 1939; (2) installations and equipment for distribution which were seized according to the decree of 23 January 1940; and (3) plants, installations and equipment for the production and refining of petroleum and natural gas

which were seized according to the decree of 27 June 1940. The Special Commissioner was to perform his duties as trustee in accordance with the directives of the Trustee Administration (Abteilung Treuhandstelle) in the office of the Governor General. The Special Commissioner thus filled two separate functions and was responsible to two different agencies, in addition to his responsibility to the Governor General.

c. Regulation of Distribution in 1940. The government regulation of the distribution of petroleum and petroleum products was separated from the control of production and refining, and was exercised through the Petroleum Monopoly. In January 1940 the Petroleum Monopoly was created as the seventh of the government monopolies in the General Monopoly Administration of the Finance Department. The decree of 20 January 1940 creating the Petroleum Monopoly included the following provisions: (1) the Petroleum Monopoly was given the right to take over all supplies of crude oil, refined products, and products derived from natural gas and coal-tar oils; and (2) all producers and importers were obliged to offer to the Monopoly all petroleum products produced locally or imported into the Government General, these products to be offered at prices fixed by the Director of the Finance Department, in accordance with the Director of the Economic Department. The Director of the Finance Department, who was also the General Monopoly Administrator, was empowered to permit exceptions to the offer of products, and the Petroleum Monopoly was given the duty of deciding upon the disposal of any offered products which it might decline. A directive issued on the same date exempted from the obligation of offer to the Petroleum Monopoly certain purely local transfers of petroleum and natural gas products.

d. The Planning Board for Chemical Products. For the first year and a half of the German administration of the Government General the oil industry was regulated by the governmental agencies which have been described. On 9 April 1941 the industry was placed under the jurisdiction of an additional new agency, the Planning Board for Chemical Products (Bewirtschaftungsstelle fuer Chemische Erzeugnisse). The controls over all the phases of the oil industry do not appear to have become more stringent as a result of the powers exercised by the new agency, nor were the powers of existing agencies curtailed by its formation. Apparently the only result of the supervision of the oil industry by the Planning Board for Chemical Products was a redistribution of the already effective controls.

The purpose of the Planning Board was stated to be the regulation and supervision of the trade in chemical products, including petroleum products. The Board was subject to the orders of the Economic Department of the office of the Government General. The functions of the Planning Board which were relevant to the petroleum industry included: (1) Issuance of orders to individual plants and enterprises or groups of plants and enterprises concerning the production, distribution, storing, sale, and consumption of the products regulated; (2) determination of import requirements, regulation of the distribution of imports, and regulation of exports; and (3) requests for information on economic data from plants and enterprises, including prices, stocks, production, capacity, and general inspection of the books and business correspondence of enterprises. The Board was given the power of temporarily or permanently closing those enterprises which did not obey its orders. This decree did not, however, amend the decrees providing for the Petroleum Monopoly and the Special Commissioner. Furthermore, the import and export of petroleum products continued to be handled by the General Monopoly Administration.

o. The Petroleum Planning Board. On 14 July 1943 the Petroleum Planning Board (Bewirtschaftungsstelle fuer Mineraloel) was set up in Krakow to replace the supervision of the oil industry previously exercised by the Planning Board for Chemical Products. The powers delegated to the Petroleum Board and to the Chemical Products Board were practically identical as far as petroleum products were concerned. The organization of a separate agency with jurisdiction over the oil industry alone was probably justified by the importance of the oil industry relative to the other Polish chemical industries and by the special problems presented by it.

As in the case of the creation of the Planning Board for Chemical Products, the purpose of the Petroleum Planning Board was stated to be the regulation and supervision of the trade in petroleum and petroleum products. The Petroleum Board was also under the Economic Department, and was authorized, with the approval of the Economic Department, to issue general or individual orders to producers, refiners, wholesalers, retailers, and consumers concerning the production, refining, storage, distribution, delivery, consumption, and import and export of petroleum products of all kinds. The powers of the Petroleum Planning Board were, however, restricted by the provision that the Economic Department might limit the authorization of the Petroleum Board temporarily or indefinitely and execute these functions itself.

The Petroleum Monopoly and the office of Special Commissioner were not affected by the establishment of the Petroleum Planning Board. The organization of a separate Petroleum Planning Board was a purely administrative change. The powers assigned to it represented no change in the extent and method of control, nor, on the other hand, did its establishment eliminate the duplication of the functions distributed

among the Petroleum Monopoly, the Special Commissioner, and the new Planning Board.

f. The Change in the Functions of the Special Commissioner. The gradual development of the legal administration of the Polish oil industry over a period of more than four years (1939 to 1944) had resulted in an overlapping of jurisdiction and a duplication of the duties of the controlling agencies set up during that period. Both the Special Commissioner and the Petroleum Planning Board were delegated rights in the spheres of production and refining, which, as far as can be determined from the decrees, dealt with the same aspects of those processes. In addition, the Special Commissioner had acted in a dual capacity, as regulator of the industry, and as trustee for the rights of the former owners of oil properties.

In May 1944 the office of Special Commissioner was abolished by decree. In its place the office of Trustee General for the Petroleum Industry (Generaltreuhaender fuer die Erdoelwirtschaft) was created. This separation of the functions previously performed by the Commissioner implied official recognition first, of the double nature of his duties, and second, of the duplication of powers indicated above. The functions of the newly appointed Trustee were restricted to the representation of the rights of the owners of seized exploration rights and petroleum and natural gas properties, and the administration of these rights and facilities. The regulatory functions of the former Special Commissioner were transferred to the Economic Department in the office of the Governor General; presumably those duties which were not already performed by the Petroleum Planning Board were then given to that agency.

g. The Change from the Austrian to the Prussian Mining Laws. At the same time (1 May 1944) that the office of Special Commissioner was replaced by that of the Trustee General, the Austrian mining laws which previously had been in force in the Polish oil industry were abolished and the Prussian mining code substituted in its place. The adoption of the Prussian mining laws meant the substitution of direct and exclusive state ownership for private ownership of exploitation and exploration rights in petroleum and natural gas. It is not stated whether the change was made retroactive or whether it applied only after the date of the decree. As far as actual exploration and exploitation during the period of the German occupation of Poland are concerned, the question is academic, since such rights had already been seized in December 1939. The change would, however, affect the indemnity claims of owners of oil lands who previously might have claimed a royalty as part of their property rights.

A few months before the adoption of the Prussian mining code, the royalty system had been revised (February 1944). In the district west of the San River[1] it was decreed that royalty rights should be payable on the basis of the average of the gross prices for crude oil effective during the first half of 1939. The royalty percentages were reduced by 50 percent, royalties were made payable exclusively in money, and speculation in royalty contracts were prohibited. The new regulations were made applicable only to those claims which were entered in the Naphtha Register on or after 1 September 1939.

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1. The new regulations were not extended to the area east of the San River, in which the rights had been nationalized during the period of Soviet occupation.

2. Operation of the Oil Industry in the Government General. Supervision of production, refining, and distribution operations in the Government General was entrusted to quasi-private enterprises which were created for this specific purpose. These companies -- the Monopolvertriebsgesellschaft mbH in the field of distribution, and the Beskiden companies and Karpathen Oel AG in the spheres of production and refining -- were financed largely by private capital, but they were endowed with the character and powers of governmental instruments rather than of private enterprise.

a. Control of Distribution Activities. The Monopolvertriebsgesellschaft fuer Mineraloel mbH, with headquarters at Jedlicze, was organized early in 1940 to handle distribution. Nominally, the new company was semi-private, two-thirds of the capital being furnished by the two Beskiden companies (the two private enterprises which were created to assume control of producing and refining activity; see Section B below) and one-third by the General Monopoly Administration. In practice, however, the Monopolvertriebsgesellschaft functioned as a state agency. The Petroleum Monopoly turned over to the Monopolvertriebsgesellschaft all the supplies of petroleum products in the Government General, and all current production and imports which it accepted under the provisions of the decree of January 1940. The prices of products transferred from the Petroleum Monopoly to the Monopolvertriebsgesellschaft, as well as the commercial selling prices, were fixed by the Director of the Finance Department in agreement with the Director of the Economic Department.

The Director of the Economic Department was authorized to lend or lease to the Monopolvertriebsgesellschaft the distribution facilities which were ordered seized by the decree of 23 January 1940. Those distribution installations and

equipment which were not transferred to the Monopolvertriebs-gesellschaft remained at the disposal of the Director of the Economic Department, who at the same time was appointed trustee to safeguard the rights of the former owners of such properties. This was apparently changed later, since the decree of 27 June 1940 designated the Special Commissioner for Petroleum as trustee for the seized distribution properties. Claims for indemnification for the transferred facilities were to be filed with the Economic Department, which was given the option of ordering the Monopolvertriebsgesellschaft to make payments.

The German authorities consistently emphasized the freedom of private initiative which was avowedly promoted by the organization of the Monopolvertriebsgesellschaft. The decree of 20 January stated: "The Monopolvertriebsgesellschaft is a private enterprise." Its charter, however, was subject to approval by the Governor General, and the General Monopoly Administration and the Director of the Economic Department retained the right of appointing their representatives as officials of the Monopolvertriebsgesellschaft. Hermann Senkowsky, the Director of the General Monopoly Administration, was also the chairman of the board of directors of the Monopolvertriebs-gesellschaft; these facts, together with the character of its duties, leave little doubt that the Monopolvertriebsgesell-schaft functioned as a government agency.

The legal basis and the administrative structure of the controls over distribution organized through the Petroleum Monopoly underwent few changes after 1940. A decree of 15 September 1942 extended the monopoly distribution laws to natural gas and other gases which might be used as high pressure gas for motor fuel. A second decree of 19 September 1942 reserved the installation of compressor plants for natural gas connected directly to gas pipe lines for the Ost Energie AG

(of which Walter Emmerich, Director of the Economic Department, was chairman) and the Monopolvertriebsgesellschaft.

b. Control of Producing and Refining Activities. The management of producing and refining activities in the Government General was originally entrusted to two companies -- the Beskiden Erdoel-Gewinnungs GmbH (Beskiden Petroleum Producing Company) and the Beskiden Erdoel-Verarbeitungs GmbH (Beskiden Petroleum Refining Company) -- which were organized at the end of 1939 with a total capital of 1 million zloty. Nominally, the character of these two enterprises was private; they operated in close association with Deutsche Erdoel AG and Deutsche Petroleum AG, and there is a strong presumption that the capital invested in the two Beskiden companies was furnished by Deutsche Erdoel, which had itself held large interests in the Polish oil industry before the first World War. There is no indication that either of the Beskiden companies, or indirectly, Deutsche Erdoel, acquired financial participation in any Polish oil companies.

Actually, the two Beskiden companies, like the Monopolvertriebsgesellschaft, fulfilled the functions of government agencies. Reports of their organization in the German press stated that they had been formed "by order of" and "for the account of" the Special Commissioner for Petroleum of the Government General, and that the management of the Beskiden companies was carried on "as a war activity without compensation".[1] Walter Emmerich, Director of the Economic Department of the Government General, was also a member of the board of directors of the two Beskiden companies. Of the other officials of the two companies, the only ones whose names are known are Hermann Petri and Hermann Malz, neither of whom occupied important positions in the German oil industry or in

1. Neue Zuericher Zeitung, 13 January 1944.

the government administration of the Polish oil industry.

In November 1942 the Beskiden Producing Company and the Beskiden Refining Company were dissolved; their operational functions in the Polish oil industry were transferred to a new company, the Karpathen Oel AG. The organization of Karpathen represented the extension to Poland of the previously conceived system of German control of foreign oil properties, in which the primary instrument of penetration was the Kontinentale Oel AG, organized in March 1941, largely as a holding company, and Karpathen Oel AG was created as a new Polish subsidiary of Kontinentale. This company was founded in Lwow in November 1942 with an initial capital of 30 million zloty, subscribed by Kontinentale together with several of the most important petroleum and synthetic-oil interests in Germany: Deutsche Erdoel AG, Gewerkschaft Elwerath, Preussische Bergwerk-und Huetten AG, Wintershall AG, Deutsche Gasolin AG, and Grossdeutsche Schacht und Tiefbau GmbH. The identity of interests between Kontinentale and Karpathen is indisputable; Deutsche Erdoel, Gewerkschaft Elwerath, Preussische Bergwerk AG, and Wintershall had participated in Kontinentale directly, while Deutsche Gasolin represented the interests of IG Farben, and Grossdeutsche Schacht und Tiefbau the interests of Reichswerke Hermann Goering, both of which were founding firms of Kontinentale.

The scope of the new enterprise included the exploration, exploitation, and refining of petroleum and natural gas, and the export and import of petroleum and petroleum products. Although Karpathen was responsible for the actual operation of wells and refineries, and planned and executed the rationalization of the industry and the extension and reconstruction of facilities, there is no evidence that it became the legal owner of the properties seized by decree of

the Governor General in 1940. It is difficult, however, to see how Karpathen could make any sizeable expenditures for the development of Polish oil facilities which it did not own, unless there existed some prior arrangements with the German government with regard to compensation or ownership.

At the time of the creation of Karpathen no reasons were cited why Karpathen should have been organized to replace the Beskiden companies. A possible reason for the change is that Deutsche Erdoel and its subsidiary Deutsche Petroleum alone of the large German oil groups are reported to have participated in the Beskiden companies; it may have seemed desirable or necessary to include the other important German oil interests, especially the Kontinentale Oel AG, in the broadened scheme for the exploitation of the Polish oil industry. It is not unlikely that there existed a considerable amount of rivalry between the old established German oil companies, and the Kontinentale, which tried to establish a monopoly on foreign oil.

Regardless of the reasons for its establishment, Karpathen apparently achieved substantial control over the operation of the Polish oil industry. The effectiveness of its administration of the Polish properties cannot be evaluated merely by a comparison of pre-war and 1943 production and refinery throughput. Karpathen appears to have devoted its efforts in large part to the reconstruction and improvement of refineries, and to a rationalization of the structure of the industry. Among the more ambitious plans projected was the adaptation of the Polmin refinery at Drohobycz for Tower distillation processes, at an expense of 16 million zloty. It was reported that Karpathen intended to use installations dismantled from French refineries, and that work had already been started, but there have been no further reports of the completion of the

entire program. Another of the large-scale projects undertaken by Karpathen was the development of the Gartenberg and Schreyer refinery near Jaslo, which according to the plans of Karpathen, was to become the largest and most modern refinery in the Government General. For this purpose installations were brought from the dismantled Vacuum Oil refinery at Gravenchon in France, and from Germany. Again there is no evidence that the plans were fully carried out.

C. The Polish Oil Industry in the Area Incorporated into Germany.

The areas of Poland incorporated into the Reich in October 1939 did not include any petroleum or natural-gas fields. The only oil facilities in this region were the large refineries at Czechowice and Trzebinja, which were incorporated into the German district of Silesia. The Malopolska refinery (Polski Zwiazkowe Rafinerja Olejow Skalnych) at Trzebinja had a capacity of 100,000 tons, and a refinery throughput of 51,000 tons in 1938, while the Vacuum Oil Company refinery at Czechowice had a capacity of 75,000 tons, and worked at almost full capacity in 1938, refining 70,000 tons of products. The total refinery throughput of 121,000 tons by these two refineries alone was as great as the refinery throughput in the areas included in the Government General for the same year. There was in addition a third small refinery, Naftamin Ligota, which in 1938 had a refinery throughput of only about 3,000 tons, and may not have been in operation at the time that the Germans gained control.

The German decree of 8 October 1939 outlined the basic policy of government and administrative organization for the incorporated territories. By this decree each of the new districts (Gaue) became subject to the jurisdiction of a Reich Governor or a Provincial President, who was himself under the supervision of the Reich Minister of the Interior. The already existing laws in the districts were continued, insofar as they were not incompatible with the fact of incorporation, but the Reich Minister of the Interior was given the power to introduce Reich law and Prussian law. The oil industry of this region, therefore, became subject to the general German scheme of regulation of petroleum facilities, including the Four Year Plan, which was introduced by decree into the incorporated areas on 30 October 1939.

On 17 September 1940 the property of Polish citizens in the incorporated territories became subject to sequestration (such sequestration being made mandatory in the case of property of Jews and persons who had fled), trustee administration, and confiscation. The decree made no specific provisions for indemnification beyond the statement that regulations concerning the manner and amount of compensation would be issued. This law, however, was probably not applicable to the greatest part of the oil facilities in the region, since the Trzebinja refinery was owned by the French Malopolska group, while the Czechowice refinery was the property of the American Socony-Vacuum Company. Since, at the time of incorporation into the Reich in October 1939, France and Germany were at war, the Malopolska refinery was enemy property and presumably was treated as such; the Czechowice refinery, on the other hand, was neutral rather than enemy property. There is no information available concerning the treatment of enemy and neutral property in the incorporated areas, although it may be assumed that the regulations operative in Germany itself were extended to these regions.

Oel und Kohle of 15 August 1943 reported the founding on 28 January 1943 of a petroleum enterprise Idaweiche GmbH in Idaweiche, with a capital of RM 720,000. The purpose of the new company was stated to be the continuation of the activities of the Naftamin AG refinery, and it was authorized to acquire and participate in similar enterprises at home and abroad. There are no other reports concerning the establishment or operation of the Idaweiche enterprise.

By the very nature of the territorial annexation Germany achieved control over the former Polish oil industry in the territories incorporated into the Reich. The enforcement of these controls was simplified, moreover, by the limited nature of the facilities in that region.

D. The Polish Oil Industry in the Areas Held by the USSR between 1939 and 1941.

Through the partition of Poland in September 1939 the Soviet Union acquired the greatest part of the Polish petroleum and natural gas resources. The Drohobycz and Stanislawow oil fields in 1938 had produced 371,000 tons of crude oil or 73 percent of total Polish production, 402 million cubic meters of natural gas, or 69 percent of total production, and 33,000 tons of casing-head gasoline, or 82 percent of total production. The principal refineries situated in the area ceded to the USSR were the Dros and Nafta refineries of the Malopolska group at Drohobycz, the Galicja refinery at Drohobycz, the state-owned refinery Polmin at Drohobycz, and the Gazy Ziemne refinery at Lwow. In 1938 these five major refineries, together with some fourteen minor ones, possessed a total refinery capacity of 455,000 tons and a refinery throughput of 254,000 tons. The capacity of the refineries acquired by Germany in the incorporated territories and the Government-General was thus slightly greater than the capacity of the refineries in the Soviet regions; the 1938 refinery throughput in the German and Russian areas was roughly the same.

Soon after the cession of the eastern Polish territories to the USSR, all rights of exploration and exploitation of petroleum and natural gas, and all production, refinery, and distribution properties used in connection with those products were nationalized by the Soviet government. Some small holdings may have been left in private hands, but in general the entire oil industry became the property of the Soviet state.

In February 1940 the Petroleum Press Service reported that plans had been drawn up for a large expansion of drilling

operations in the eastern Galician fields held by the Russians. Plants destroyed during military operations, it was stated, had already been restored, and an increase in the crude-oil production of those fields was expected. It was also reported that the Ukranian Oil Combine had been created to develop the oil resources of eastern Galicia. In addition to exploitation and drilling operations, modernization of refineries, reorganization of transport, and improvement of equipment were planned. No further information is available detailing any progress in the performance of these plans.

In the summer of 1941 the oil resources and facilities of the eastern Galician districts fell into German hands after the invasion of eastern Poland by the German army. Military administration was first applied to the oil fields and installations in the area, but within a short period the oil industry of eastern Galicia had been incorporated into the civil administrative structure of the Government General. On 14 August 1941 the decree of 27 June 1940 creating the office of the Special Commissioner was extended to Galicia. Since the Russians had nationalized the Galician oil industry after the partition of Poland in 1939, all installations were taken over directly by the Governor General, and the Special Commissioner exercised no trustee functions for the former owners. On 16 January 1942 the remaining petroleum regulations of the Government General were extended to eastern Galicia, with the exception of the decrees providing for the seizure of plants and equipment for the production and refining of petroleum and natural gas. The decree also provided for the seizure, in favor of the Government General, of all existing and future exploration and exploitation rights for petroleum and natural gas which had not already been taken over under the decree of 1 August 1941 concerning the temporary seizure of all the

property of the USSR in Galicia.

After the initial reorganization of the eastern Galician oil industry, all decrees for the regulation of the industry in the Government General were applicable to the eastern districts, except for those provisions which dealt with the trustee administration of the seized properties.

III. THE TREATMENT OF THE FOREIGN-OWNED OIL COMPANIES IN POLAND

A. General

The seizure of the oil fields and refineries in the Government General gave to the Germans a measure of control over the oil industry which extended beyond regulation of current production to the reallocation of equipment among existing plants and the creation of a distribution system administered by a state monopoly. In the actual treatment of the seized facilities the German authorities did not, as far as is known, differentiate between Polish-owned and foreign-owned properties. There is very little information available concerning the transfer of ownership of the French and American properties to German interests, as contrasted with the transfer of control, which by decree was made obligatory.

The treatment of those properties which were situated in the Government General appears to have differed from the treatment of those situated in the territories incorporated into the Reich, and reports deal mainly with the disposition of foreign holdings in the latter areas. There is no indication that any indemnification was granted to the foreign owners of properties in the Government General. Any immediate purchase and settlement of indemnification by the Germans was unnecessary, since they were able to assume a thorough-going regulation of the oil properties without permanent legal ownership. All holdings in eastern Galicia, which was occupied by the USSR between 1939 and 1941, were nationalized and became the property of the Soviet state; after the German invasion of eastern Poland in 1941 these holdings were taken over directly by the Government General.

Only limited information is available concerning the fate of the Malopolska and Polish Vacuum Oil Company properties during the period of German administration. No reports

have been received dealing with the ownership status of the holdings of the French group Galicja, the third of the large foreign interests which operated in Poland prior to the war; Galicja, however, owned no plants in the territories which were incorporated into the Reich.

B. The Polish Vacuum Oil Company

The Vacuum Oil Company holdings in pre-war Poland consisted primarily of the large refinery in Czechowice. The American group owned in addition certain petroleum and natural-gas properties which it had acquired through its absorption of the Standard Nobel interests in 1937, and others which it had purchased during the period 1937-1939; these holdings lay in the regions which were ultimately included in the Government General. Since an American company owned the controlling interest Germany would have had to recognize the neutral status of the United States before December 1941. After that date, American holdings were, of course, regarded as enemy property.

After Polish Silesia became a part of Germany, it was reported that the Vacuum Oil refinery in Czechowice had been reorganized in cooperation with the Deutsche Vacuum Oil Company of Hamburg. It is impossible to determine from this report whether the Polish Vacuum after the loss of its properties in the General Government continued to operate its refinery in Czechowice or whether the refinery was separated from the Polish Vacuum through purchase or through confiscation and attached to Deutsche Vacuum as a branch property.

Similarly, the legal status of Polish Vacuum is unknown. The Moniteur du Pétrole Roumain of 15 May 1942 reported that a subsidiary of the Vacuum Oil Company of Czechowice had been registered with the German Court in Krakow. This report seems to indicate that the Polish Vacuum, probably after a reorganization, continued to operate as the Vacuum Oil Company of Czechowice. This interpretation is supported by the report on the activity of the new subsidiary which, it was stated, was to be concentrated in realizing those assets of the "former" Polish Vacuum Oil SA which were located within the Government General and in continuing the latter's business in

cooperation with the Hamburg company. The proposed activities of the new branch ranged from exploration and exploitation through refining and distribution of petroleum products, and its initial capital was set at 25 million zloty. Among the directors of the new organization were Max Engel, director of the Deutsche Vacuum AG, Vacuum Oil Company of Czechowice, and of Vacuum Companies in Vienna and Prague, and Hermann Goetz, a director of the Deutsche Vacuum and of the Vacuum Company in Vienna. The new enterprise which was registered in Krakow in 1942 may have been created to protect the claims of "former Polish Vacuum" or the Vacuum Oil Company of Czechowice against the Government General for any losses which may have been incurred through the German confiscation and operation of its Polish oil properties.

Under German administration the Czechowice refinery was considerably modernized and extended. The capacity of the refinery was reportedly devoted to the refining of Rumanian crude oil and Austrian crude oil from Zistersdorf and Neusiedl.

C. The Malopolska Group

The Malopolska holdings in the territories incorporated into Greater Germany consisted of the important Trzebinja refinery. This refinery was acquired in 1942 by Kontinentale Oel AG of Berlin, probably through purchase. It has been reported that the Société Francaise Industrielle et Commercielle de Pétroles, French holding company for the Polish Malopolska properties, sold its holdings in Trzebinja, Austria, and Hungary to German interests for 51 million francs. Acquisition of the Trzebinja refinery in Germany by Kontinentale represents a significant departure from its declared policy of acquiring only foreign holdings, leaving the exploitation of the German oil industry to the already existing German oil companies. This deviation from the stated procedure may have been based on the fact that the Malopolska group had no such close relations to any existing German oil firms as did the Polish Vacuum.

The Moniteur du Pétrole Roumain of 15 October 1942 reported that the Erdoelraffinerie Trzebinja GmbH had been organized with a capital of RM 2 million to assume the operation of the former Malopolska refinery in Trzebinja. Oel und Kohle of 15 July 1943 stated that the capital of Erdoelraffinerie Trzebinja GmbH had been doubled to RM 4 million on 5 May 1943. After the transfer to Kontinentale the Trzebinja refinery was modernized and expanded. The improvement included cracking and refining installations which according to unverified reports were imported from the Vacuum Oil refinery at Gravenchon in France. The facilities of the remodeled Trzebinja refinery were utilized for the refining of Austrian and Rumanian crude oil, and for the production of lubricants from semi-finished products brought from the Polmin refinery in the Government General.

The Malopolska group also held extensive properties in the eastern Galician areas which were ceded to the USSR in 1939. Under the Soviet administration between 1939 and 1941 these properties were nationalized. After the nationalization of the former Malopolska holdings, the Société Francaise Industrielle et Commercielle de Pétroles brought action for damages against the Commercial Representative of the USSR in Paris and attached all his assets, to the amount of 75 million French francs. An appeal filed before a higher court resulted in a judgment for the annulment of the attachment and an order to restore the assets of the Commercial Representative of the USSR. The judgment was based on the grounds that the issues of compensation involved would have to be settled by the peace treaty at the end of the war, and that any previous indemnification would be premature. According to the accounts submitted to the general shareholders' meeting the amount claimed for the Malopolska holdings was in excess of 3.5 billion francs, an incredibly large sum.[1] The question of indemnification by the USSR became meaningless with the German occupation of eastern Galicia and the subsequent German acquisition of the properties that had been nationalized by the USSR.

As mentioned above, no information is available on the fate of the other French-owned Polish oil company, Galicja .

1. Account of the action of the Société Francaise Industrielle et Commercielle de Pétroles against the Soviet Representative is reported in the Moniteur du Pétrole Roumain of 15 April 1941.